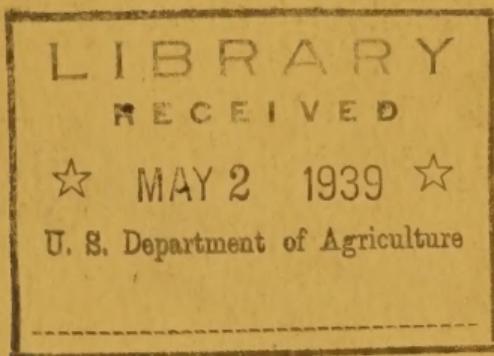


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**Form No. AAA-388**

**The**  
**AAA Notebook**



**AGRICULTURAL ADJUSTMENT  
ADMINISTRATION**

**United States  
Department of Agriculture  
Washington, D. C.**



## **AAA NOTEBOOK**

This book makes available to AAA field workers in a brief and concise form information concerning the farm problem and the provisions of the AAA program.

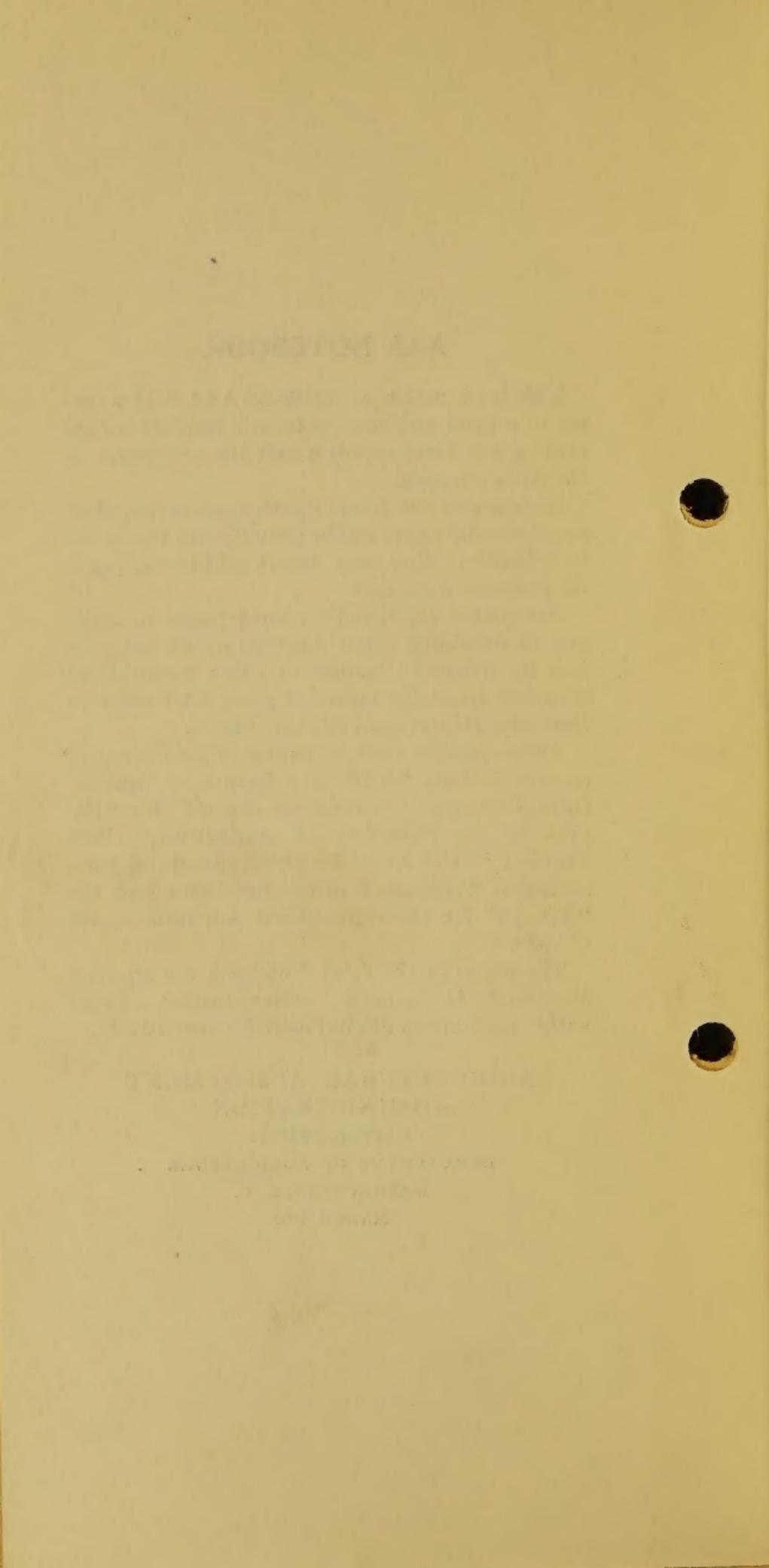
As new and additional information is compiled, supplemental pages will be provided for this loose-leaf binder. You may insert additional pages for personal notations.

References are listed on most pages to assist you in obtaining other information on the subject by means of leaflets or other publications generally available either at your AAA office or from the Department of Agriculture.

Abbreviations used in listing of references or sources include "BAE" for Bureau of Agricultural Economics; "Secretary's Report" for "Report of the Secretary of Agriculture," 1938 Edition; "ACP-1939" for the Agricultural Conservation Program Bulletin for 1939; and the "AA Act" for the Agricultural Adjustment Act of 1938.

The pages in the AAA Notebook are grouped according to general subject-matter. Pages within each group are numbered consecutively.

AGRICULTURAL ADJUSTMENT  
ADMINISTRATION  
UNITED STATES  
DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C.  
MARCH 1939



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## PURPOSE OF THE AAA FARM PROGRAM

Conservation of the Nation's soil resources is the first purpose of the AAA farm program. The 1938 Farm Act seeks:

1. To prevent waste of soil fertility.
2. To provide for an orderly, adequate, and balanced flow of farm products in interstate and foreign commerce.
3. To help farmers obtain their fair share of national income.
4. To help consumers obtain an adequate and steady supply of foods and fiber at fair prices.

### SOIL WASTE

OVERPRODUCTION is one of the largest causes of soil destruction. It wastes soil through unused harvests and through needless exposure to erosion. The AAA emphasizes means for avoiding it.

### BALANCED PRODUCTION

Balanced production and guaranteed supplies through the Ever-Normal Granary are direct steps in soil conservation. A farmer who grows more soil-depleting crops than he can sell at a fair price robs himself of his capital; he wastes his soil fertility and his labor.

Ref.: AA Act; Secretary's Report.

## EVER-NORMAL GRANARY MEANS STABILITY

The Ever-Normal Granary of the AAA Farm Program aims at continuous and permanent abundance.

### RESERVE IN GRANARY

(1) The provisions call for yearly supplies of wheat, cotton, corn, tobacco, and rice, large enough for domestic and export requirements and for normal carry-overs.

### RESERVE IN SOIL

(2) Shifts to soil-conserving crops mean a potential production reserve for emergencies—an Ever-Normal Granary of soil fertility.

### RESERVE AGAINST FAILURE

(3) Crop insurance for wheat protects farmers against crop failure and protects consumers against exorbitant prices.

### PROTECTION FOR CONSUMER

(4) The general public is protected against artificial as well as actual shortages. Marketing quotas can be proclaimed only when supplies are large, and commodity loans will be available only when accumulating stocks threaten price collapse. The Granary cannot be used to take unfair advantage of consumers.

The Ever-Normal Granary means orderly marketing of an abundant production at prices fair to both farmers and city buyers.

Ref.: AA Act; G-93.

## WHY A WHEAT PROGRAM

ACREAGE HAS BEEN HIGH.—When the first AAA wheat program was invalidated by the 1936 Supreme Court decision farmers were without effective means of balancing wheat production against requirements. For 1937 and 1938 farmers seeded wheat on more acres than ever before.

### BETTER YIELDS

PRODUCTION IS UP.—Good weather and good yields brought from this near-record acreage in 1938 a crop of 931 million bushels, the fourth largest on record.

### LIMITED EXPORTS

EXPORTS HAVE SHRUNK.—U. S. wheat exports during the World War years averaged nearly three times as much as the average of the last 10 years.

### STABLE CONSUMPTION

CONSUMPTION REMAINS FAIRLY STABLE.—Per capita consumption was 4.4 bushels in 1929, 5.3 bushels during the 1930-32 period and 4.7 bushels in 1937. These figures are based on total domestic utilization, excluding that used for seed.

### SURPLUS

The situation is that production has increased tremendously but consumption has not. This situation means continued surpluses and low prices unless farmers cooperate to meet the problem. The AAA program provides a way for this cooperative action by farmers.

Ref.: G-93.

*United States wheat picture since 1929*

[All figures given are millions of bushels, i. e., 000,000 omitted]

Year begin- ning July	Carry- over be- ginning of year <sup>1</sup>	Produc- tion	Total sup- ply <sup>2</sup>	Total domes- tic utili- zation	United States exports <sup>3</sup>
1929-----	228	823	1, 051	619	143
1930-----	289	887	1, 176	748	115
1931-----	313	942	1, 255	754	126
1932-----	375	757	1, 132	719	35
1933-----	378	552	930	627	29
1934-----	274	526	800	655	13
1935-----	148	626	774	660	7
1936-----	142	627	769	688	12
1937-----	83	876	959	703	103
1938-----	154	931	1, 085	-----	-----

<sup>1</sup> Includes small total amount of new wheat in some years previous to 1937.

<sup>2</sup> Carry-over plus production, as defined in the AA Act of 1938.

<sup>3</sup> Includes shipments of wheat and flour to noncontiguous United States Territories, and includes only flour made wholly of domestic wheat.

Source: BAE.

## THE CURRENT SITUATION

Acreages seeded to winter wheat in the fall of 1938 are 10 million acres less than the area seeded in the fall of 1937. This reduction is larger than between any previous successive years.

The figures indicate a high compliance with the 1939 wheat allotments by winter wheat growers.

### SUBSTANTIAL REDUCTIONS

If spring wheat growers meet their 1939 allotments to a corresponding extent, acreage for the 1939 crop will be reduced a substantial amount from 1938 seedings.

In *The Wheat Situation* for November 1938, the Bureau of Agricultural Economics indicated that "if the winter wheat acreage is reduced by 19 percent and if a similar reduction is made in the spring wheat acreage, the seeded acres for all wheat would total about 66 million acres." The actual reduction from 1938 winter wheat seedings was given in the December Winter Wheat and Rye Report as 18 percent.

### 66 MILLION SEEN

Seeding of 66 million acres contrasts with the 81 million acres seeded for 1937 and the 80 million acres seeded for 1938, a year that saw the United States' wheat supply reach its fourth highest total in history.

Ref.: December 1938 Winter Wheat and Rye Report, BAE.

*Wheat: Acreage seeded, by States 1928-32  
average and 1938*

[Figures in 1,000 acres, i. e., 000 omitted]

Region and State	Acreage seeded 1928-32 average	1938	
		Acreage seeded	Increase over 1928-32 average
Northeast-----	1,312	1,469	157
Maine-----	3	4	1
New Jersey-----	55	72	17
New York-----	249	311	62
Pennsylvania-----	1,004	1,082	78
Vermont-----	1	0	-1
East Central-----	2,296	2,997	701
Delaware-----	100	86	-14
Kentucky-----	293	614	321
Maryland-----	475	483	8
North Carolina-----	363	492	129
Tennessee-----	318	517	199
Virginia-----	626	638	12
West Virginia-----	121	167	46
Southern-----	8,795	11,773	2,978
Alabama-----	3	6	3
Arkansas-----	36	81	45
Georgia-----	70	187	117
Oklahoma-----	4,685	5,959	1,274
South Carolina-----	72	172	100
Texas-----	3,929	5,368	1,439
North Central-----	18,141	22,599	4,458
Illinois-----	2,365	2,385	20
Indiana-----	1,797	1,958	161
Iowa-----	426	632	206
Michigan-----	781	927	146
Minnesota-----	1,445	2,638	1,193
Missouri-----	1,687	2,598	911
Nebraska-----	3,847	5,041	1,194
Ohio-----	1,913	2,416	503
South Dakota-----	3,777	3,881	104
Wisconsin-----	103	123	20
Western-----	36,867	41,032	4,165
Arizona-----	24	50	26
California-----	725	850	125
Colorado-----	1,904	1,759	-145
Idaho-----	1,220	1,227	7
Kansas-----	13,290	16,945	3,655
Montana-----	4,527	4,936	409
Nevada-----	15	19	4
New Mexico-----	443	438	-5
North Dakota-----	10,568	10,736	168
Oregon-----	1,046	1,113	67
Utah-----	278	292	14
Washington-----	2,452	2,230	-222
Wyoming-----	375	437	62
UNITED STATES TOTAL-----	67,411	79,870	12,459

Source: BAE.

## WHEAT LOANS

Wheat loans help build up the Ever-Normal Granary.

Under the Farm Act, AAA cooperators can get loans in years when the crop is large, or the price low.

The loan rate is discretionary between 52 and 75 percent of the parity price. Country market rates are calculated from basic terminal rates with differentials for freight and handling.

### FREE MOVEMENT IN MARKET

The loans are intended to help the farmer hold wheat for any possible better later price, but not to peg prices. Although some have sought high loan rates, many wheat producers believe it sounder to make reasonable loans on export crops, allowing the crop to move freely to market, and to help producers through payments.

Wheat loans were late in 1938, but with a year's experience, subsequent loans can be made promptly.

### ELIGIBILITY FOR LOANS

Loans are available to cooperators whenever offered. Non-cooperators are eligible for loans when there are quotas, but only on their excess supplies and at lower rates.

Wheat loans on January 31, 1939, were estimated to total around 46 million dollars on about 87,600,000 bushels.

Ref.: G-93; AA Act; 38-Wheat-1.

*Large U. S. wheat supplies bring low prices*

Year beginning July	Seeded acreage	Yield per seeded acre	Production	Carry-over beginning of year <sup>1</sup>	Total supply <sup>2</sup>	U. S. average farm price	U. S. average parity price	Imported wheat parcels at Liverpool	No. 2 hard winter wheat at Chicago	Cents per bushel
1924	Million acres	Bushels	Million bushels	Million bushels	Million bushels	Cents per bushel	Cents per bushel	Cents per bushel	Cents per bushel	Cents per bushel
55.7	15.1	842	137	979	124.7	148.5	149.4	175.7	138.8	161.0
61.7	10.8	669	108	777	143.7	148.5	149.4	168.9	161.0	162.8
60.7	13.7	832	100	932	121.7	147.6	147.6	162.8	140.1	140.1
65.7	13.3	875	110	985	119.0	147.6	147.6	151.9	138.5	138.5
71.2	12.9	914	112	1,026	99.8	147.6	147.6	127.5	117.2	117.2
66.8	12.3	823	228	1,051	103.6	145.0	145.0	129.7	129.7	129.7
67.2	13.2	887	289	1,176	67.1	132.6	132.6	79.7	84.5	84.5
66.0	14.8	942	313	1,255	39.0	114.0	114.0	59.2	52.9	52.9
65.9	11.5	757	375	1,132	38.2	102.5	102.5	53.8	52.7	52.7
68.5	8.1	552	378	930	74.4	109.6	109.6	68.2	94.1	94.1
63.6	8.3	526	274	800	84.8	115.8	115.8	80.6	102.5	102.5
69.2	9.1	623	148	774	83.2	112.3	112.3	90.0	103.9	103.9
73.7	8.5	627	142	760	102.6	117.6	117.6	125.8	116.5	116.5
81.1	10.8	876	83	959	96.3	116.7	116.7	124.5	118.0	118.0
79.9	11.7	931	154	1,085	3 55.2	3 112.5	3 112.5	4 77.0	4 70.0	4 70.0

<sup>1</sup> Includes small amount of new wheat in some years prior to 1937.<sup>2</sup> Total supply as defined in the Agricultural Adjustment Act of 1938 is carry-over plus production.<sup>3</sup> Preliminary estimate for 5 months, July–November.

Source: B.A.E.

<sup>4</sup> Preliminary estimate for 6 months, July–December.

## MECHANICS OF WHEAT MARKETING QUOTAS

Whenever it appears that the total supply of wheat available during the next marketing year will exceed a normal year's domestic consumption and exports by more than 35 percent, the Secretary of Agriculture is obliged, by May 15, to declare a wheat marketing quota program in operation.

### FARMERS VOTE

The quota provisions, effective for any wheat harvested in the calendar year, will continue throughout the marketing year:

- (1) Unless more than a third of the farmers voting in a referendum, held not later than June 10, oppose the measure (all those subject to quotas are eligible to vote);
- (2) Unless, before July 20 or August 20, the Secretary proclaims that the July or the August crop reports indicate a total wheat supply, as of July 1, less than a normal year's domestic consumption and exports plus 30 percent.

Quota provisions do not apply to farms where the normal production of the current wheat acreage is less than 100 bushels.

### 15-CENT PENALTY ON EXCESS MARKETINGS

When quotas are in effect any wheat marketed in excess of a farm's marketing quota is subject to a penalty of 15 cents a bushel. There is no penalty on the portion marketed within the quota.

Penalties apply on wheat harvested in the current calendar year even though marketed before the beginning of the marketing year.

*Wheat: Production, net exports, and price by classes in the United States*

Year beginning July 1	Hard red winter wheat		White wheat		Soft red winter wheat		Hard red spring wheat		Durum wheat	
	Production	Price per bushel No. 2 hard winter at Kansas City	Production	Price per bushel soft white at Portland	Production	Price per bushel No. 2 red winter at St. Louis	Production	Price per bushel No. 1 dark N. Sp. at Minneapolis	Production	Price per bushel No. 2 hard A. Durum
1921	323	100	119.6	84	28	116	222	29	126.6	148.0
1922	299	61	112.6	71	14	119	221	23	121.0	126.4
1923	259	27	104.9	89	20	103	237	10	107.4	132
1924	352	121	135.4	49	11	158	186	8	159.0	193
1925	204	10	162.7	75	19	148	163	3	168.8	166
1926	371	73	135.3	77	27	136	216	31	137.6	123
1927	322	60	135.1	98	30	132	167	13	149.0	207
1928	394	35	112.4	91	15	117	127	3	139.2	203
1929	371	82	119.6	85	38	116	164	4	130.2	146
1930	404	65	75.5	86	32	72	180	4	83.4	157
1931	514	85	46.9	71	33	56	262	3	51.7	73
1932	281	22	50.9	85	11	50	159	(2)	55.2	190
1933	177	4	88.5	88	25	71	162	(2)	94.3	107
1934	208	3	98.1	70	10	81	188	(2)	93.9	63
1935	203	2	103.1	86	5	81	204	(2)	94.9	108
1936	260	3	121.4	100	9	107	207	(2)	111.1	51
1937	373	74	110.8	114	22	87	258	5	112.6	102
1938	388			103			237			161

<sup>1</sup> Prior to 1929 flour is not included, as estimates by classes are not available. Beginning 1929 figures are exports of wheat and flour plus shipments to non-contiguous United States territories. <sup>2</sup> Less than 500,000 bushels. <sup>3</sup> Net imports.

Source: BAE.

## AAA WHEAT PAYMENTS IN 1939

The 1939 wheat payment to complying producers is in two parts:

A. PRICE - ADJUSTMENT PAYMENT.—Eleven cents per bushel on the normal wheat yield of the 1939 wheat acreage allotment for the farm. This is the net rate, as estimated county administrative expenses are deducted in advance. **NO PAYMENT WHEN ALLOTMENT IS OVERPLANTED.**

1. This payment is authorized in the Price Adjustment Act of 1938.

2. The three main requirements for this payment are: (a) 1939 wheat acreage allotment must have been established, (b) wheat must have been planted on farm for 1938 or 1939 harvest, unless failure to plant in at least one of these years was due to flood or drought, (c) acreage of wheat for 1939 cannot exceed 1939 wheat acreage allotment.

3. Volunteer wheat not satisfactorily disposed of before a definite date specified in the 1939 ACP Bulletin for each State will be considered as acreage planted to wheat.

4. Price adjustment payments can be made as soon as it has been determined that seedings are within the 1939 wheat acreage allotment.

B. AGRICULTURAL CONSERVATION PAYMENT.—Seventeen cents per bushel on the normal wheat yield on the 1939 wheat acreage allotment for the farm less deductions for local administrative expenses. **PAYMENT REDUCED WHEN ALLOTMENT IS EXCEEDED.** (For requirements, see State Handbook.)

This payment is similar to the ACP wheat payment of 12 cents made in 1938. It is subject to appropriation of conservation payment funds by Congress. Agricultural conservation payments can be made as soon as the 1939 Proof of Performance and Application for Payment have been completed and approved. In most cases this should be in the fall of 1939.

## WHEAT EXPORT PROGRAM

During the 1938-39 marketing season, the United States is acting to hold our fair share of exports for American wheat farmers at about 100 million bushels.

World wheat trade has shrunk and competition increased since the World War, but this program is in operation to keep for U. S. farmers as big a share of the market as they have had in past years.

Under this program, the Federal Surplus Commodities Corporation buys wheat from producers and others at the domestic market price. Roughly 7 million bushels were purchased at the wheat loan rate from farmers eligible for wheat loans. The Corporation resells this to wheat exporters at a price which will let them meet world competition.

Up to February 2, 1939, export sales for the marketing year totalled about 83,800,000 bushels. Of this quantity 57,900,000 bushels of wheat and flour equivalent were shipped under the program.

This emergency program was made necessary by policies of other exporting nations which subsidize their wheat exports. It is hoped that an international wheat agreement may eventually solve the problem.

Ref.: Agricultural Statistics 1938; G-93.

## WHEAT EXPORTS AND IMPORTS

The United States wheat trade is on an export basis.

Last year the United States exported 100 million bushels of wheat and has a program to export just as much this year.

### EXPORTS RETURN

In only 4 years since the Constitution was signed has the United States been a net importer of wheat for human consumption. In 3 of these years, 1934, 1935, and 1936, because of shortage caused by drought and rust, our wheat imports were temporarily above normal. But after the 1937 crop, we resumed our export position and sold 100 million bushels of United States wheat abroad. Imports were about half a million bushels.

Practically no wheat is now being imported, either for human or livestock consumption.

For the 5 years (1928-32) prior to the drought and rust years, the average annual imports of milling wheat and flour for domestic use were 41,000 bushels.

### IMPORTS PAY TARIFF

All wheat imported for human consumption pays a duty of 42 cents a bushel.

Wheat imported for livestock feed, which is unfit for human consumption, pays a tariff of 5 percent of its money value.

Ref.: G-93.

*Wheat (including flour): Estimated world stocks, production, disappearance, world trade and U. S. exports 1923-24 to 1938-39, inclusive*

Crop year	World stocks on about July 1	World production (excluding Soviet Russia and China)	Total disappearance (excluding Soviet Russia and China)	World trade in wheat <sup>1,2</sup>	United States net exports <sup>2</sup>	Percent United States exports are of world trade
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Percent
1923-24-----	577	3,535	3,389	833	130	15.6
1924-25-----	723	3,143	3,293	776	259	33.4
1925-26-----	573	3,396	3,316	702	106	15.1
1926-27-----	653	3,504	3,470	853	202	23.7
1927-28-----	687	3,683	3,619	823	187	22.7
1928-29-----	751	4,005	3,736	947	154	16.3
1929-30-----	1,020	3,582	3,659	629	145	23.1
1930-31-----	943	3,894	3,791	839	116	13.8
1931-32-----	1,046	3,877	3,880	795	115	14.5
1932-33-----	1,043	3,876	3,775	630	33	5.2
1933-34-----	1,144	3,848	3,799	555	29	5.2
1934-35-----	1,193	3,561	3,802	541	<sup>3</sup> 4	-----
1935-36-----	952	3,602	3,788	523	<sup>3</sup> 31	-----
1936-37-----	766	3,578	3,805	609	<sup>3</sup> 17	-----
1937-38 <sup>4</sup> -----	519	3,855	3,779	497	100	20.1
1938-39 <sup>4</sup> -----	595	4,535	3,880	564	-----	-----

<sup>1</sup> Net exports of all countries for which exports exceed imports.

<sup>2</sup> Years beginning August except 1937-38.

<sup>3</sup> Net imports.

<sup>4</sup> Preliminary.

Source: BAE and Food Research Institute of Stanford University, Wheat Studies.

## LARGEST WHEAT OUTLETS GONE

World wheat exporting countries since the 1920's have increased annual *export supplies* by 150 million bushels. Export wheat now totals about 900 million bushels annually.

Present world *import requirements*, on the other hand, are about 550 million bushels. This represents a drop of at least 200 million bushels a year from former years.

Europe in the past has bought between 70 and 80 percent of wheat exports. The United Kingdom took about 200 million bushels of this, an import total which has dropped very little.

## IMPORTERS STIMULATE PRODUCTION

About 80 percent of the drop in European requirements is accounted for by Italy, Germany, and France, formerly large importers whose policies of stimulated home production and restrictions on consumption and imports are based on these three major points:

- (1) A desire to maintain good returns to domestic producers and to keep a large part of the population on the land.
- (2) The necessity, because of trade balances, to reduce imports.
- (3) The desire for larger home production from a military point of view.

## OTHER FACTORS INVOLVED

In addition to such policies, other factors in the reduction of wheat imports are:

- (1) Improved agricultural methods in importing countries.
- (2) A generally lower birth rate.

Ref.: Foreign Agriculture, January 1939.

*Net imports of wheat, including flour, by principal importers*

Importer	Average 1923-24 to 1927-28	Average 1932-33 to 1936-37	Average 1923-24 to 1927-28	Average 1932-33 to 1936-37
Europe:				
United Kingdom and Ireland-----	1,000 <i>bushels</i>	1,000 <i>bushels</i>	1,000 <i>bushels</i>	1,000 <i>bushels</i>
Germany-----	228,800	224,400	-----	-----
Italy-----	69,600	8,400	-----	-----
France-----	80,200	18,500	-----	-----
Belgium, Denmark, and Netherlands-----	52,900	10,000	-----	-----
Austria, Czechoslo- vakia, and Switzer- land-----	75,900	74,400	-----	-----
Norway, Sweden, Estonia, Finland, and Latvia-----	53,700	29,200	-----	-----
Greece, Portugal, and Spain-----	22,900	12,700	-----	-----
Albania, Faroe Is- lands, and Malta-----	25,900	17,400	-----	-----
Europe total-----	1,700	2,000	611,600	397,000
Orient-----	-----	-----	46,300	47,600
Latin America <sup>1</sup> -----	-----	-----	53,000	49,600
All others-----	-----	-----	51,200	47,400
Total-----	-----	-----	762,100	541,600

<sup>1</sup> Calendar years 1925-29 and 1932-36.

Source: Foreign Agriculture, January 1939.

## MILLING IN BOND

A small amount of wheat grown on foreign soil, mostly in Canada, comes into this country for milling in U. S. mills for export to foreign countries. This is known as milling in bond and was authorized by the Tariff Act of 1930.

Every bushel of this wheat is handled in bonded warehouses, which are under strict supervision of the Federal Government, and this guarantees that the imported wheat will be exported when milled.

### MUST BE EXPORTED

All flour milled in whole or in part from wheat brought in under bond must be exported. It cannot be sold for domestic use even if the duty of \$1.04 per 100 pounds is paid. If mixed with domestic wheat, the entire mix must be exported.

Mill feeds from wheat milled in bond may be withdrawn for consumption in U. S. upon the payment of the same duty that would be paid if imported directly.

### OFFERS WORK AND WAGES

Mills which mill in bond cannot, at the same time, mill for domestic use.

Milling in bond offers U. S. labor work and wages it would not otherwise have.

*Comparison of two 5-year periods, acreage, production, yield per acre, net imports, and apparent consumption of wheat in European importing countries*

<sup>11</sup> August-July marketing years. Flour included.

Source: Foreign Agriculture, January 1939.

## WHAT OTHER WHEAT COUNTRIES DO FOR PRODUCERS

Taking the world as a whole, more farmers are dependent on wheat production for a living than on that of any other crop. Consequently, wheat has received first consideration in drafting agricultural relief measures. In virtually every country, whether it exports or imports wheat, some form of government assistance is designed to increase the price received by domestic producers.

### WHAT OTHER COUNTRIES DO

Measures in the five major regions outside the United States which are considered wheat-exporting include:

**ARGENTINA.**—Grain Regulating Board purchases wheat at fixed prices whenever world prices fall below minimum established by the Government. The Government also has complete control of foreign exchange.

**AUSTRALIA.**—In most years Government pays bounties and makes direct grants to wheat producers.

**CANADA.**—Canadian Wheat Board buys from producers at a guaranteed minimum price and sells at the best price it can obtain, sharing an excess, if any, with participating producers, but charging loss to the national treasury. Because of the heavy cost of this plan, the wheat Board is studying other possibilities for 1939.

**DANUBE BASIN COUNTRIES.**—Complete Government control of wheat exports. In these countries the most effective means of moving wheat into export has proved to be bilateral treaties or agreements with certain wheat importing countries of Europe.

**SOVIET RUSSIA.**—All trade in wheat is Government controlled.

## WHEAT IMPORTS MEET BARRIERS

Virtually all governments have put up barriers against wheat imports as a means of aiding their wheat producers.

These measures in the principal importing countries in Europe which account for approximately 80 percent of world wheat import requirements are:

**UNITED KINGDOM.**—Domestic production subsidized to extent of 67 million bushels.

**ITALY.**—Government-fixed price, regulated sales, strictly controlled foreign trade, and nearly 26 cents a bushel duty on imports.

**GERMANY.**—Fixed prices and price margins; compulsory delivery of all domestic wheat fit for human consumption; distilling and feeding prohibited; a duty of \$3.84 per bushel unless imported by Government, in which case the duty is 11 cents a bushel.

**FRANCE.**—National wheat board sets prices, controls imports and exports. Present minimum price to growers about \$1.50 a bushel. Import duty 87½ cents a bushel.

Classified types of barriers to wheat imports in specified countries, August 1938, are as follows:

Monopoly control	Milling quotas	Import quotas	Import permits and licenses	Special taxes other than duties <sup>1</sup>
Czechoslovakia.	Brazil.	Switzerland.	Belgium.	Belgium.
Estonia.	France.	Greece.	Denmark.	Czechoslovakia.
France.	Italy.	Ireland.	Ireland.	Egypt.
Germany.	Netherlands.	Finland.	Sweden.	Netherlands.
Italy.	Sweden.		Brazil.	Sweden.
Latvia.	Ireland.			Germany.
Netherlands.	Belgium.			Brazil.
Norway.	Germany.			Denmark.
Switzerland.	Finland.			Italy.
Greece.	Mexico.			Switzerland.

<sup>1</sup> Includes all special taxes other than import duties that apply primarily to imported wheat; for example, import-license tax, quay tax, import-permit fee, milling tax, monopoly fee.

## THE CORN PROGRAM

Corn growers cooperating in the AAA Farm Program can take definite steps to stabilize market supplies and prices of corn by:

(1) **ACREAGE ADJUSTMENT.**—The corn acreage allotments, which apply only in the commercial corn area, are established in such proportions as to make available enough corn, together with corn grown outside the commercial area and the corn carried over from previous crops, for needs in this country, exports, and a safe reserve supply.

Producers staying within their allotments are eligible to receive payments for cooperation. Producers unable to participate fully may earn part payment.

(2) **CORN STORAGE LOANS.**—The loans offered cooperating farmers have proved themselves to be a successful means of protecting prices by holding surplus corn off the market until needed.

(3) **MARKETING AND STORAGE QUOTAS.**—If the Ever-Normal Granary runs over, marketing quotas may be voted by farmers to protect themselves from price collapse. The Act sets the marketing quota level at 10 percent above normal domestic consumption, exports, and carry-over.

(4) **SOIL-BUILDING PRACTICES.**—Full benefit payments are possible only if cooperating farmers complete the full amount of soil-conserving practices necessary to reach their soil-building goal.

Ref.: 38-Corn-1; 38-Corn-3.



## THE CORN LOAN PROGRAM

Corn loans constitute the keystone in the Ever-Normal Granary. They protect consumers from high prices in times of crop failure, and make it possible for farmers to avoid selling their corn on an overburdened market.

### RATES BASED ON SUPPLY

Loans are offered cooperating farmers if the crop is greater than a normal year's home needs and exports, or if the farm price of corn falls below 75 percent of parity.

If marketing and storage quotas are in effect, loans are offered to cooperating farmers at the full rate; to noncooperators at a smaller (60 percent) rate, and only on the amount they are required to store.

The act forbids loans to either cooperators or noncooperators if marketing quotas are rejected in the producer referendum.

The corn loan rate depends upon the size of the current crop.

### LIVESTOCK MEN BENEFIT

Livestock feeders also benefit from the corn loans and the Ever-Normal Granary. Carryovers are made larger, and so supplies of feed become more stable and dependable.

Because alternating surpluses and shortages of corn are necessarily followed by increases and decreases in livestock numbers, an Ever-Normal Granary for corn is the necessary basis for stabilizing market supplies and prices of livestock and livestock products.

Ref.: 38-Corn-1; 38-Corn 3.

*Rates and amounts of corn loans*

Year	Rate	Bushels under loan <sup>1</sup>
	<i>Cents</i>	
1933-34-----	45	271, 000, 000
1934-35-----	55	20, 000, 000
1935-36-----	45	30, 777, 000
1936-37-----	55	1, 030, 000
1937-38-----	50	47, 000, 000
1938-----	57	<sup>2</sup> 26, 000, 000
1938-39-----	57	<sup>3</sup> 134, 993, 298

<sup>1</sup> Includes loans by both Commodity Credit Corporation and local agencies.

<sup>2</sup> Resealed corn.

<sup>3</sup> Reported on Feb. 4, 1939.

## THE RICE PROGRAM

The production of rice is confined to limited areas. The rice program which is applicable in these areas aims to make available enough rice for domestic use, for exports, and for a carry-over, through the use of:

(1) ACREAGE ALLOTMENTS large enough to grow the required amount of rice, and

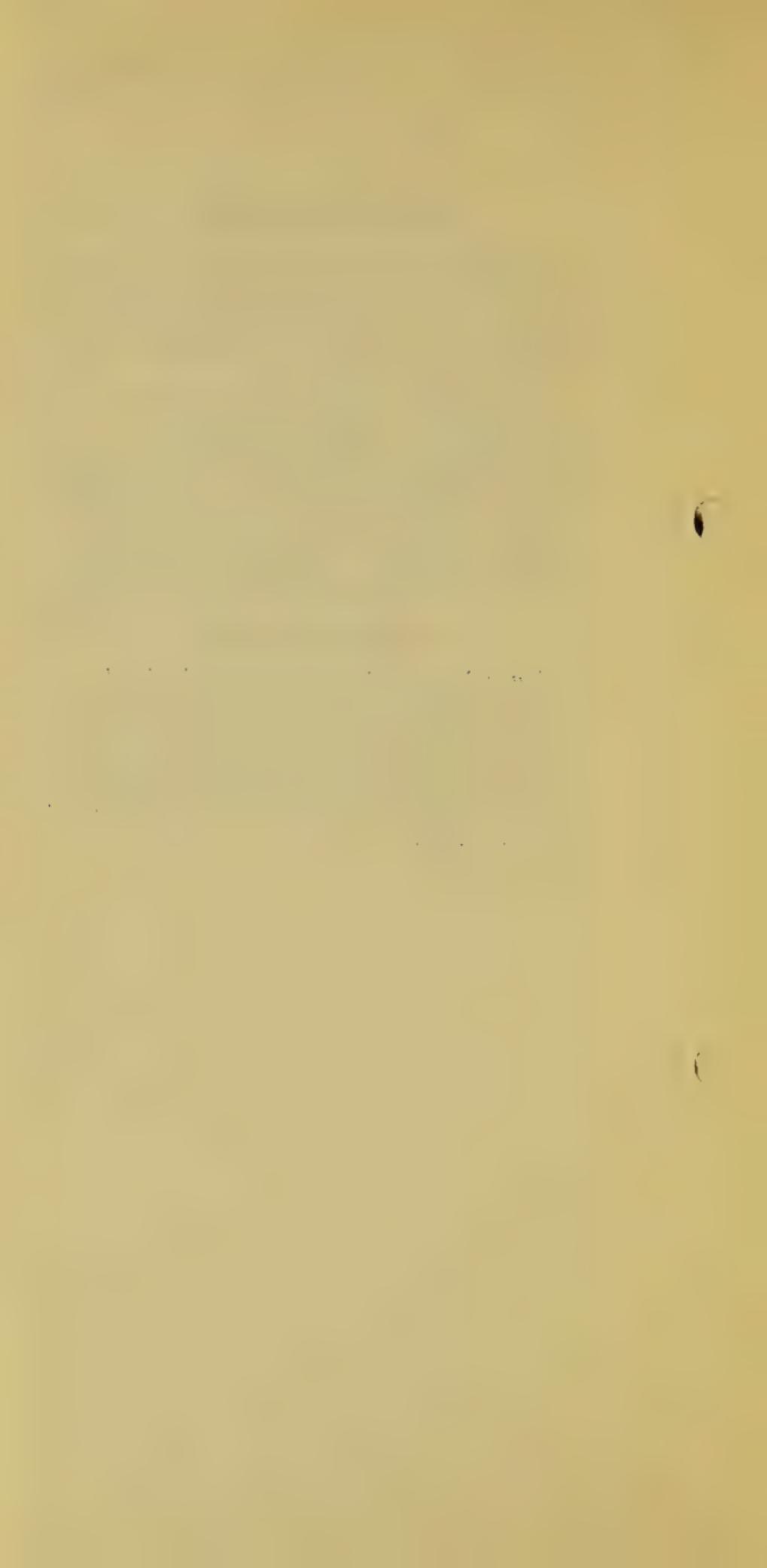
(2) MARKETING QUOTAS which may be called upon when supplies become excessive to regulate the quantity of rice marketed within the year.

Each State is given a share of the national rice acreage allotment. This share is apportioned among rice producers by the local committees.

### INDIVIDUAL ALLOTMENTS

Apportionment is made on the basis of production of rice for the previous 5 years and the diverted acreage under previous AAA programs, taking into consideration crop rotation practices, soil fertility, labor, equipment available, and other physical factors affecting the production of rice on the farm.

Ref.: SRB-301B.



## THE POTATO PROGRAM

The purpose of the potato goal and the acreage allotment in the AAA program is to stabilize potato production as much as possible by avoiding extremes of very high and very low acreage.

The national potato goal is between 3,100,000 and 3,300,000 acres.

### IN COMMERCIAL AREAS

Potato acreage allotments will be established for commercial producers in designated commercial potato producing areas, and growers who plant within these 1939 allotments will earn payments of 3 cents a bushel on the normal yield of their allotments.

### REDUCTION FOR OVERPLANTING

If producers plant over their 1939 acreage allotments, their conservation payments will be reduced by 30 cents a bushel on the normal yield of each acre in excess of the allotment.

The potato program is voluntary, and participation is optional with producers.

Ref.: ACP-1939.

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## THE SUGAR-BEET PROGRAM

The Sugar-Beet Program is authorized by the Sugar Act of 1937. The chief purposes of the Act are (1) to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry, and (2) to promote United States export trade.

### HOME NEEDS DETERMINED

The Act directs the Secretary of Agriculture to determine each year, on the basis of certain standards, the total amount of sugar needed for domestic consumption. The initial amount determined for 1939 is 6,832,157 short tons, raw value, which is the quantity of sugar that may be marketed in the United States during the year.

### SUPPLY SOURCES SPECIFIED

The Act specifies that 55.59 percent of domestic sugar requirements is to be furnished by domestic producing areas, and the remainder by the Philippines, Cuba, and other foreign countries. Approximately 42 percent of the domestic area allotment is to be supplied by United States sugar-beet farmers.

The Act provides for an excise tax of 50 cents per 100 pounds, raw value, on both domestic and imported sugar.

Ref.: SB-101; Sugar Act of 1937.

## PAYMENTS TO PRODUCERS

The Sugar Act authorizes conditional payments to producers at a basic rate of 60 cents per hundred pounds of sugar, raw value. This is equivalent to an average payment of \$1.90 per ton of sugar beets produced in the United States.

### PARTIAL CROP INSURANCE

The Act also provides a form of partial crop insurance by permitting payments to producers for abandonment of planted sugar beet acreage and for crop deficiencies of harvested acreage.

### PAYMENT CONDITIONS

The conditions a producer must meet in order to earn payments generally involve (1) elimination of child labor (other than that of the immediate members of the producer's family), (2) payment of fair and reasonable wages, (3) prevention of soil erosion and the preservation and improvement of soil fertility, (4) marketing of no more than the farm's proportionate share of the quota of the area in which it is located, and (5) if the producer is also a processor, payment of fair and reasonable prices for sugar beets purchased from other producers.

Ref.: Sugar Act of 1937; SB-101.

## 1939 ALLOCATIONS

Sugar-beet allocations for 1939 total 1,030,000 planted acres. (The average acreage planted to sugar beets in the 10-year period 1929-38 was 847,000 acres; in 1938 there were planted 989,000 acres.)

### HOW ALLOCATED

The national sugar-beet acreage allocations have been distributed among the various producing districts on the basis of standards specified in the Act: past production and ability to produce, with slight adjustments to take care of new and small producers and certain other special conditions.

### HOW DISTRIBUTED

The district acreage allocations are distributed as proportionate shares (allotments) to farms by committees of sugar-beet growers.

The local administration of the Sugar-Beet Program, with the exception of the distribution of proportionate shares to farms, is under the direction of the county agricultural conservation associations. Local administrative expenses are deducted from producers' payments.

Ref.: Sugar Act of 1937, SB-101.



## HOW AAA MEETS THE FARM PROBLEM

The AAA farm program meets the farm problem in many ways. It provides the means by which farmers can meet important local and national problems as they arise.

The main parts of the program in the Western Region:

**SOIL-BUILDING PRACTICES.**—To improve soil fertility and prevent erosion.

**ACREAGE ADJUSTMENT.**—To conserve the soil by avoiding growing of unsalable crops.

**CROP INSURANCE.**—To guarantee farmers wheat to sell every year through Ever-Normal Granary reserves.

**STORAGE LOANS.**—To loan farmers funds to enable them to hold surpluses off the market.

**SURPLUS BUYING FOR RELIEF.**—To increase domestic consumption by giving surpluses to the needy.

**EXPORT SALES.**—To keep for the U. S. its fair share of the world market.

**MARKETING QUOTAS.**—To hold surpluses off markets, when a two-thirds majority of growers approve.

Ref.: G-83; G-93.

## OVER-PRODUCTION WASTES FERTILITY

The AAA program aims at conservation in two ways:

(1) Through soil-building practices which return fertility already used and which prevent soil erosion.

(2) By adjusting soil-depleting crops to requirements in order to prevent wasting fertility by producing surpluses nobody wants.

## ALLOTMENTS MEAN CONSERVATION

The adjustments are made through acreage allotments. A total national soil-depleting acreage allotment is established large enough to produce all the soil-depleting crops needed for domestic consumption, exports, and a safe reserve.

One part of this total allotment is the "general acreage allotment" for general crops, such as oats, barley, rye, etc. (in area A).

## PROVISIONS FOR SPECIAL CROPS

Another part is made up of the acreage allotments for special crops, such as wheat, corn, etc. These special allotments are the acreages estimated as needed to produce enough of the crops for domestic needs, exports, and a safe reserve.

Compliance with acreage allotments is voluntary.

Ref.: AA Act; G-83; G-93.

## HOW ALLOTMENTS ARE ESTABLISHED

The NATIONAL acreage allotment for any crop is established by the Secretary on the basis of prospective needs for domestic consumption, exports, and reserves during the coming year. That is, the total production needed in bushels or pounds is divided by average yields to obtain the national allotment in acres.

### STATE AND COUNTY

This allotment is then divided among the STATES and COUNTIES on the basis of previous acreage planted to that crop in that State or county, with adjustments made for abnormal weather conditions, trends, and for participation in previous AAA programs. Thus each State and county gets its fair share of the national allotment.

### FARM

County allotments for wheat and corn are apportioned to individual FARMS on the basis of tillable acres, crop rotation practices, type of soil, and topography. Thus the share of the national allotment each farm receives takes into account the amount it has been producing in the past as well as the amount that it should supply if operated on a sound, soil-conserving basis.

Ref.: AA Act; G-83; ACP-1939.

## SOIL-BUILDING PRACTICES ENCOURAGED

Soil building is a major aim of the AAA conservation program.

The program encourages soil-building practices with soil-building payments. It sets up a soil-building goal for each farm, expressed as a number of units of soil-building practices suitable to the particular farm.

### \$1.50 PER UNIT

For each completed unit, the farmer receives a payment of \$1.50. Seeding 1 acre of annual sweet clover counts as one soil-building unit, for example, and construction of 200 feet of terrace counts as one unit.

#### IN AREA A

The payments available for soil-building practices on a farm in Area A equal: 50 cents for each acre of cropland in the farm not included in total soil-depleting allotment, plus certain amounts for non-crop open pasture land, and any commercial orchard or commercial vegetable allotments.

#### IN AREA B

In Area B, the payments available equal 70 cents for each acre of cropland not included in a special crop allotment and not planted to sugar beets or sugarcane, plus certain amounts for noncrop open pasture land, and any commercial orchard land.

## HOW AAA COOPERATORS BENEFIT

For cooperating in the 1939 AAA Farm Program to conserve the soil and adjust supplies a farmer may earn:

1. Conservation payments on his special allotment crops, such as wheat or corn.
2. Price adjustment payments to supplement his income from certain special allotment crops.
3. Payments for adjusting the acreage of his general crops, such as oats, barley, and rye in Area A. (See p. 303.)
4. Payments to help carry out soil-building practices.
5. Corn, wheat, and cotton loans as authorized by the 1938 Farm Act.

### CROP INSURANCE FOR WHEAT

In addition, he will be eligible for Federal crop insurance on his wheat. **Most important of all**, general cooperation in the entire program will stabilize supplies and prices of all farm products.

Ref.: AA Act; G-83; G-93; NCR-301.

## COMMERCIAL AREAS

"Commercial Area" or "Commercial County" designations are made in the AAA program in order to confine the operations of special-crop provisions to areas that will help promote the program's objectives.

### MINOR AREAS OMITTED

The commercial-area provisions make it unnecessary to administer the program for a special crop where the crop is secondary and unimportant.

Areas which normally produce a commodity on a commercial basis which may contribute to a surplus problem for that commodity may be designated a "commercial area."

### FOUR TYPES

The four special soil-depleting area designations in the 1939 program are those for corn, peanuts, potatoes, and vegetables.

The commercial area provisions, which include the establishment of an acreage allotment, are intended to stabilize acreages of crops.

### TWO PAYMENTS

Producers in the designated areas who do not exceed their acreage allotment for the special crops and who fulfill other soil conservation requirements will receive conservation payments on the normal yields of their allotments and price adjustment payments on wheat, cotton, corn, and rice, where special acreage allotments apply for those crops.

## HOW MARKETING QUOTAS OPERATE

Marketing quotas enable farmers to cooperate to control marketings of certain crops when large supplies threaten the market.

### FARMER APPROVAL NECESSARY

When supplies reach specified high points a national marketing quota is proclaimed, but before any quota becomes effective two-thirds of the producers voting in a referendum must approve it. For 1939, cotton farmers have voted for quotas, but tobacco and rice farmers have rejected them.

Each farmer's marketing quota represents his share of the marketings needed for all domestic requirements, exports, and for a safe reserve.

### LOANS FOR EXCESS

Under quotas, whatever a producer sells over his quota is subject to a penalty, but a producer with more than his quota may avoid the payment of the penalty by storing his excess production. A commodity loan can be had on this stored excess.

To protect the Government the Farm Act prohibits loans if quotas are proclaimed and then voted down.

Ref.: AA Act; G-83; G-93.

## CROP INSURANCE PART OF EVER-NORMAL GRANARY

Crop insurance for wheat guarantees participating farmers some wheat to sell every year, regardless of crop losses.

### GROUP CARRIES LOSSES

Through this program, the wheat industry as a whole rather than the individual grower carries the burden of crop losses.

Wheat farmers may insure either one-half or three-fourths of their average yield of wheat.

### PREMIUMS IN WHEAT

Premiums are in terms of bushels of wheat per acre, and are carried by the Federal Crop Insurance Corporation in actual wheat in bonded warehouses.

The wheat in reserve is for only one purpose: To pay crop losses of insured farmers. The reserve cannot be reduced except to pay losses. It is outside of marketing channels and cannot be used for price manipulation.

### EVER-NORMAL GRANARY

However, the reserve acts as a vital part of the Ever-Normal Granary in maintaining a more stable supply of wheat. Because of this service in the public interest, the Government pays administrative and storage costs.

Ref.: G. I. S.-5.

## BASIS FOR COMPUTING PAYMENTS

For complying fully with the 1939 program, farmers may earn cash payments, computed as follows:

### CONSERVATION PAYMENTS ON SPECIAL ALLOTMENT CROPS

<i>Crop rate</i>	<i>Basis</i>
Corn: 9¢ per bu.....	Rate times normal yield of allotment, which is defined as average yield per acre during 10 preceding calendar years, adjusted for abnormal weather conditions and trends in yields.
Wheat: 17¢ per bu.....	
Cotton: 2¢ per lb.....	Rate times normal yield of allotment, which is defined as average yield per acre during 5 preceding calendar years, adjusted for abnormal weather conditions.
Tobacco: Burley or flue-cured, 0.8¢ per lb.	
Cigar filler and binder, 1¢ per lb.	
Fire-cured and dark air-cured, 1.4¢ per lb.	
Georgia-Florida type 62, 1.5¢ per lb.	Rate times normal yield of allotment, which is defined as the yield which may reasonably be expected from the land devoted to the production of the crop in 1939, with due consideration for type of soil, production practices, general fertility, and the customary yield.
Peanuts: \$3 per ton.....	
Potatoes: 3¢ per bu.....	
Rice: 10¢ per 100 lb.....	Rate times normal yield of allotment, which is defined as the average yield per acre during the 5 preceding calendar years.
Commercial vegetables: \$1.50 per acre.	Rate times acreage of allotment.

### PRICE ADJUSTMENT PAYMENTS

<i>Crop Rate</i>	<i>Basis</i>
Corn: 6¢ per bu.....	
Wheat: 11¢ per bu.....	
Cotton: 1.6¢ per lb.....	Rate times normal yield of Allotment.
Rice: 12¢ per cwt.....	
Tobacco.....	Since the 1938 average farm price of each kind of tobacco was above 75 percent of parity, no price adjustment payments will be made on these crops in 1939.

### PAYMENTS FOR ADJUSTING ACREAGE OF GENERAL SOIL-DEPLETING CROPS

Oats.....	<b>FOR FARMS IN AREA A, EXCEPT NONGENERAL ALLOTMENT FARMS</b>  \$1.10, adjusted for productivity, times number of acres in total soil-depleting acreage allotment less number of acres in special acreage allotments, and less any acreage of sugar beets for sugar planted on the farm in 1939.
Barley.....	
Rye.....	
Flax.....	
Soybeans for grain.....	
Grain sorghums.....	
Field peas.....	
Emmer.....	
Speltz.....	
Buckwheat.....	

### PAYMENTS FOR CARRYING OUT SOIL-BUILDING PRACTICES

Soil-building practice... \$1.50 times the number of completed units. (For total payments available see Program-4 on "Soil Building.")

### PARTIAL PAYMENTS

Partial payments are provided in the event the soil building practices are not performed in full or allotments are not fully complied with.

## EQUALIZATION FEE PLAN

[McNary-Haugen bills of 1924, 1927, and 1928] . . .

The exportation of agricultural surpluses to be sold at world prices, meanwhile allowing prices on the portion consumed in the domestic market to rise behind the tariff wall, is a plan characteristic of many of the price-raising proposals which have been suggested for the benefit of agriculture since the early 1920's.

### DUMPING SURPLUSES

The first widely known proposals embodying this idea were the original McNary-Haugen bill of 1924 and the vetoed bills of 1927 and 1928. The method in all three of these bills was essentially to dispose of surpluses abroad for whatever price they would bring, losses to be met through the collection of an equalization fee levied against the product.

### DEPENDENT ON EXPORTS

The equalization fee plan was based upon the concept of a rather steady export outlet for American farm products. It was believed that this outlet would absorb surpluses in reasonably large quantities and at fairly satisfactory prices, so that lower export prices would be more than offset by increased prices on the domestic market

Ref.: Facts Series No. 23, Ohio University.

## EXPORT DEBENTURE PLAN

[McKinley-Adkins bill, 1926—Jones-Ketcham bill, 1928]

This plan also proposed to raise farm prices by disposing of surpluses abroad. Conducted behind a tariff wall and paying an export bounty, the plan sought to induce the surplus to move out of the country and thus make the domestic price rise by an amount equal to the export bounty.

### USED TARIFF REVENUE

It differed from the equalization fee plan in that it provided for the use of tariff revenue to pay export subsidies on the surpluses. In other words, losses incurred in moving surpluses to the foreign market would have been made up out of import revenues intercepted just before they reached the Federal Treasury, rather than through the equalization fee tax on the product.

The special device from which the plan took its name was the payment of these subsidies with debentures rather than with cash. The debentures were to be acceptable in the payment of customs duties. The rate of subsidy was to be made flexible—that is, the larger the surplus the smaller the subsidy—as a provision to curb over-production.

### TO RAISE DOMESTIC PRICES

It was believed that the volume of exports would increase ultimately to the point of freeing domestic markets from the weight of the surplus and thus the domestic prices would be raised above the world price by the amount of the tariff—this also being the amount of the subsidy.

Ref.: Facts Series No. 23, Ohio University.

## FEDERAL FARM BOARD

[Agricultural Marketing Act of 1929]

The Agricultural Marketing Act of 1929 provided essentially for a marketing approach to the farm problem. It set up the Federal Farm Board as the instrument to carry out the Act. It encouraged cooperatives in an effort to bring about more orderly marketing on a nation-wide scale.

### LOANS AND PURCHASES

With the drastic price declines late in 1929, the Board undertook a program of price stabilization, first, by making loans to cooperatives to enable them to hold their products off the market and, later, by the organization of stabilization corporations and large-scale purchase of cotton and wheat. The plan did not provide for any direct control over production.

### TO STABILIZE SELLING

The 1929 Act was based upon the concept that the farm problem is primarily one of wasteful individualized selling, which could be corrected by encouraging cooperative marketing. It aimed to stabilize farm prices by a distinctive program in the field of marketing rather than production.

Ref.: Facts Series No. 23, Ohio University.

## DOMESTIC ALLOTMENT PLAN

[Hope-Norbeck Bills, 1932]

The Domestic Allotment Plan originally proposed a system of certificates enabling producers to sell on the domestic market—at protected prices—that portion of the crop normally consumed in this country. The surplus was to be exported without subsidy. In later form it also provided for some production control, with benefit payments paid on the domestic allotment out of the proceeds of a processing tax. That was one of the methods used in the Agricultural Adjustment Act of 1933 which was later invalidated.

### PRODUCTION ADJUSTMENT CONSIDERED

This plan reflected a growing doubt as to the possibility of exporting unlimited quantities of farm products, and an increasing belief that in some way an attempt should be made to regulate production. The plan sought to make the individual farmer conscious of his share of the surplus and to improve prices by limiting the quantity available to the domestic market and discouraging increased production for export.

Ref.: Facts Series No. 23, Ohio University.

## AGRICULTURAL ADJUSTMENT ACT OF 1933

The Agricultural Adjustment Act of 1933 provided for adjusted production of seven major commodities which were considered as being produced in surplus quantities—wheat, corn, cotton, hogs, rice, tobacco, and dairy products. Benefit payments were derived from processing taxes and paid on a voluntary reduction contract between the Government and each cooperating producer.

### MARKETING CONTROL

The "Thomas Amendment" to this Act was the legislation under which the dollar was devalued—a price-raising expedient advocated in many quarters. The Bankhead and Kerr Acts, controlling the marketings of cotton and tobacco, were also eventually authorized under the 1933 Act.

The 1933 Act included features drawn from several of the earlier proposals. It provided for domestic allotments, expansion of markets, encouragement of exports, and regulation of marketing methods, all of which had been included in one or more of the previous plans.

### REDUCED EXPORT OUTLET

This plan, however, approached the farm problem as one primarily of disposing of existing surpluses in the face of reduced export outlets. The belief was that this could be done only if production were checked and furthermore that producers would do this cooperatively under the inducement of benefit payments. It was also believed that consumers would pay parity prices for farm products in the domestic market.

## SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT OF 1936

During 1934 and 1935 sentiment was growing to place more emphasis on soil conservation in the national farm program. With the invalidation of the Act of 1933 this became the underlying principle of the Soil Conservation and Domestic Allotment Act of 1936. That Act is still in operation, in a strengthened and amended form complemented by the Agricultural Adjustment Act of 1938.

### LIMITED ADJUSTMENT

Under this Act benefit payments are made to producers out of general treasury funds for shifting from such "soil-depleting" crops as cotton, corn, wheat, tobacco, and rice to such "soil-conserving" crops as grasses and legumes and for carrying out certain "soil-building practices." This Act provided for only limited production adjustment.

### BASED ON CONSERVATION

The Soil Conservation and Domestic Allotment Act was enacted on the following assumptions: (1) That the continued welfare of the Nation requires that soil resources be conserved; (2) that soil fertility is wasted if crops are produced in excess of effective domestic and export demand; (3) that it is cheaper to expend Government funds for prevention of depletion than to try to restore fertility after it has been wasted.

Ref.: Facts Series No. 23, Ohio University.

## AGRICULTURAL ADJUSTMENT ACT OF 1938

The Agricultural Adjustment Act of 1938 became a law in February 1938, complementing the Soil Conservation and Domestic Allotment Act of 1936 and providing for:

(1) Conservation payments to producers who adjust the acreage of their soil-depleting crops as prescribed in the allotments and carry out soil-building practices; (2) parity or price adjustment payments to producers of corn, wheat, cotton, tobacco, and rice who do not overplant their allotments; (3) commodity loans to cooperators; (4) marketing control of surpluses when approved by two-thirds of the producers voting; (5) freight rate investigation and study; (6) Federal crop insurance on wheat; (7) purchases of farm surpluses for relief distribution; (8) market expansion through research on new uses for farm products; and (9) funds to subsidize the export of farm surpluses.

### RECOGNIZES DECREASED OUTLETS

The plan embodied in the 1938 Act was adopted in the belief the farm problem is in large part one of adjusting existing producing facilities to decreased outlets for export products.

The general thesis underlying this program is (1) that efforts should be made to expand markets and develop new uses for farm products but that progress will be slow in that direction; (2) that export outlets are for the present definitely limited; (3) that one essential for reasonable farm income is balance between production and market demand; (4) that production adjustment needs to be accompanied by an ever-normal granary; (5) that a program of commodity loans and parity payments is helpful only under the condition that it does not lead to further surplus production.



## TRADE AGREEMENTS

When there is unlimited production of any agricultural commodity, or when domestic or foreign demand or both is limited, surplus often accumulates.

Should additional overproduction come when a surplus already exists, and demand continue limited either at home or abroad or both, the situation may become acute.

### MORE OUTLETS NEEDED

This surplus problem requires sound measures for increasing market outlets for farm products.

Through negotiating trade agreements the United States is seeking to reopen foreign outlets for both farm and factory products. The careful readjustment of our own tariffs downward encourages trade and induces other nations to lower duties and thus permit an increase in our agricultural exports.

### MORE EMPLOYMENT POSSIBLE

When U. S. factories sell more abroad, employment and pay rolls increase and there is an increased domestic demand for farm products.

Under the Farm Act, efforts are being made to enable agriculture to produce for both domestic and foreign markets and at the same time guard against destructive surpluses.

Ref.: State Department Publication, "The Reciprocal Trade-Agreements Program of the United States," No. 1265.

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## LIVESTOCK PRODUCERS AND THE AAA

Livestock producers, whether actively cooperating in the AAA program or not, are vitally interested in the Ever-Normal Granary and the more stable prices which the AAA offers.

### UP AND DOWN TOGETHER

Hard times for the western sheep and cattle producers result from wide fluctuations in Corn Belt grain supplies. Large grain supplies and low grain prices mean a rush of range livestock to Corn Belt feedlots. Soon grain supplies are greatly reduced and livestock prices go down. Then, as grain prices strengthen, farmers market corn on the cash market and the demand for feeder stock is reduced. Both producers and feeders suffer during the recurring cycle.

### DAIRYMEN AND AAA

Dairymen are even more directly interested in the grain price stabilizing effects of the AAA. Low grain and meat prices cause many cash grain farmers to go into more dairying. The hard times of the early 30's saw one of the greatest increases in dairy cow numbers on record. A stabilized grain supply with reasonable prices is the dairyman's best protection.

Ref.: G-79.

## DAIRYING AND THE FARM PROGRAM

Dairy farmers have been helped materially by several parts of the Farm Program.

### STABILIZATION

Low grain and meat prices are the biggest threat to the dairy industry. They bring the grain farmer and livestock feeder into the dairy business.

Through stabilizing grain supplies and prices the AAA conservation program helps protect dairymen from unnecessary expansion in dairy-ing such as occurred in 1929-33.

### SURPLUS BUYING

From October 1933 through 1938, approximately \$40,000,000 worth of surplus dairy products were bought in Federal surplus-removal programs for relief distribution.

### MARKETING MEASURES

Through Federal loans the Dairy Products Marketing Association undertook an extensive price-stabilizing program and in the fall of 1938 had 114 million pounds of butter stored for later sale.

Milk marketing agreements affecting approximately 1,200,000 dairy farmers are in operation.

### DISEASE ERADICATION

Over 2,300,000 diseased cattle have been removed from herds under Federal disease eradication programs since 1934. Indemnity payments for these cattle total nearly \$54,000,000.

Ref.: DM-3; DM-2; G-79.

## THE RANGE PROGRAM

The AAA range program seeks to conserve one of the nation's great natural resources as a means of obtaining:

- (1) A more efficient and stable livestock production year after year.
- (2) A steadier supply of meat for the nation's consumers.
- (3) A steadier income for the range operator.

The range program means wise planning for improvement of individual ranches. Operators, county AAA committeemen, and qualified range technicians pool their knowledge and experience to work out a sound program.

An allowance, based on grazing capacity, is calculated for each ranch, and the operator may earn this allowance by carrying out a number of approved range conservation practices at specified rates.

### DEFERRED GRAZING

The most important part of the program is that which deals with restoration of the range by giving the native grasses a chance to reseed naturally.

### STOCK WATER DEVELOPMENT

Stock water development contributes to range conservation. It reduces trampling of the forage by livestock and causes a more even distribution of stock on the range.

### EROSION CONTROL

Other practices help control erosion and increase vegetative cover by retarding run-off and making use of the available water.

Full details are contained in State Handbook.

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## THE CONSUMER AND AAA

The city worker is more than a passive user of finished agricultural goods. He is a partner with the farmer in the country's business life. He takes farm goods, not just to eat and wear, but to process, distribute, and transport, and to combine with other materials to produce industrial goods.

### NONFARM WORKER'S MATERIALS

Every nonfarm worker draws upon agriculture for two kinds of materials: One kind for immediate personal use and the other kind for use as raw material in his own employment.

### HIS MARKETS

The nonfarm worker depends on agriculture as a market. From him the farmer buys machinery, fertilizer, transportation, building supplies, as well as newspapers, magazines, books, and motion pictures.

The consumer needs more from agriculture than just a supply of low-priced commodities. He needs the farmer as a customer.

The consumer has an interest in the farm as a going concern.

## DOES AAA MEAN SCARCITY?

Farmers wonder why they of all people should be accused of scarcity.

### INDUSTRY

From 1929 to 1934, for example, industry's "plow-up" of production was greater than that of agriculture. Factory production in industries using nonagricultural raw materials in 1934 had decreased 42 percent from the 1929 level. For the same period the volume of factory production using agricultural raw materials was down only 15 percent. Industry's "plow-up" of production in nonagricultural industries during the period was 27 percent greater than that of industries using agricultural products.

### AGRICULTURE

In 1937 farmers' production of their 53 leading crops was 13 percent above the 1923-32 average and 7 percent greater than in the previous record-breaking year 1931. In 1938 it was 5 percent above the 1923-32 average.

The new Farm Act provides for nearly double the carry-overs of corn and wheat that have been customary in the past.

The farm program is one of balanced abundance and not a scarcity program.

Ref.: "Administered Price and Market Price," G-47; General Crop Report, December 1938.

## DIVERTED LAND AND RECLAMATION

Many people ask why the Government fosters both irrigation and adjustment programs.

### PROGRAMS ARE CONSISTENT

Helping farmers transfer from hazardous dry-land to dependable irrigated areas is justified social and economic policy. Recent reclamation policy emphasizes production for home use. In 1936 approximately half the acreage cropped on Federal projects was in hay and forage crops.

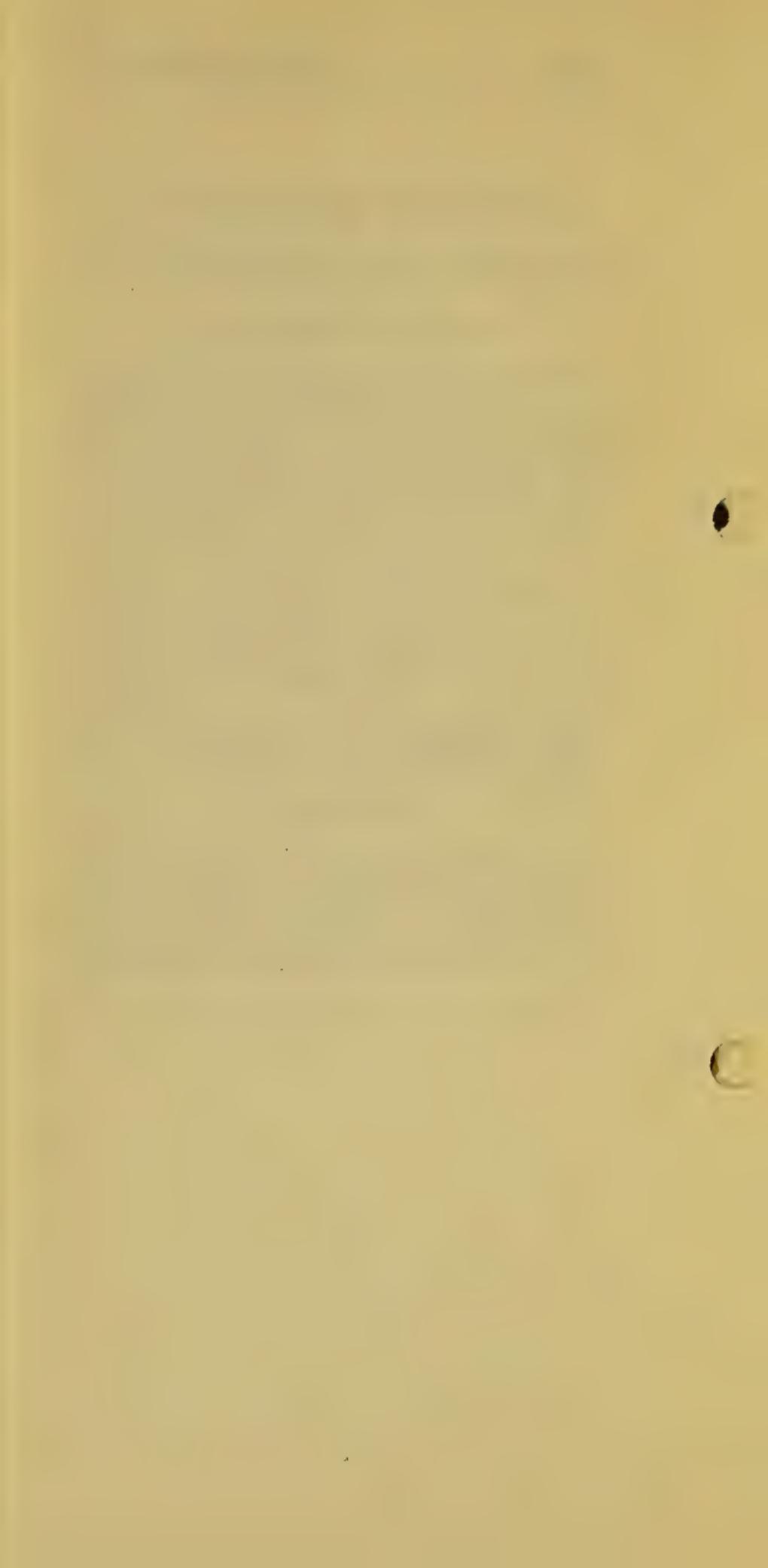
### RECLAMATION AREA SMALL

In 1937, after 35 years of Federal reclamation, land in crops receiving water from Federal projects totaled 3,043,000 acres, less than 1 percent of the national crop acreage. This included 1,342,072 acres irrigated by private projects. About 17,000,000 acres of other cropland were irrigated in 1937 by States or privately.

### OLD PROJECTS

The only new land brought under irrigation by Federal projects during the past 5 years was on projects authorized and started before 1933.

Many Federal enterprises, such as Grand Coulee are also built for power and navigation purposes.



## FEWER FORECLOSURES SINCE 1933

Since 1933, the number of forced farm sales has declined substantially. This decline has applied to each of the Nation's nine geographic divisions.

During the 12 months ending March 15, 1933, there were 54.1 such sales per thousand farms. By the year ending March 15, 1937, this had dropped to 22.4 per thousand farms.

The number of farm bankruptcies in the United States in the year ending June 30, 1937, was less than half the total of the year ending June 30, 1933. The decline was from 5,917 to 2,479.

(See next page for detailed figures by years and geographic divisions.)

*Estimated number of forced farm sales<sup>1</sup>  
per 1,000 of all farms, 12 months ended  
March 15, 1933-37*

	1933	1934	1935	1936	1937
United States.....	54.1	39.1	28.3	26.2	22.4
New England.....	19.8	20.1	18.9	16.8	14.4
Middle Atlantic.....	28.3	26.2	23.9	21.6	16.5
East North Central.....	43.9	32.0	23.5	22.1	19.0
West North Central.....	72.0	50.9	40.6	38.0	31.7
South Atlantic.....	59.5	40.7	24.5	21.3	17.6
East South Central.....	63.5	44.9	30.6	26.9	22.4
West South Central.....	51.2	34.3	22.9	22.0	20.2
Mountain.....	52.8	44.1	35.7	36.0	33.4
Pacific.....	44.1	37.1	24.6	25.8	23.1

<sup>1</sup> Includes sales from delinquent taxes, foreclosures of mortgages, bankruptcies, loss of title by default of contract, sales to avoid foreclosure, and surrender of titles or other transfer to avoid foreclosure.

Ref.: Farm Real Estate Situations, BAE.

*Farmer bankruptcies, years ended June 30,  
1933-1937*

	1933	1934	1935	1936	1937
United States.....	5,917	4,716	4,311	3,642	2,479
New England.....	164	171	123	108	139
Middle Atlantic.....	514	420	457	313	228
East North Central.....	2,020	1,384	1,055	1,045	574
West North Central.....	1,277	983	877	837	454
South Atlantic.....	601	699	735	442	339
East South Central.....	494	399	431	346	259
West South Central.....	371	329	307	278	189
Mountain.....	167	131	101	69	73
Pacific.....	309	200	225	204	224

Ref.: Agricultural Statistics, 1938. BAE.

## PRESENT FARM INCOME ABOVE 1932

From a 15-year peak of almost 10½ billion dollars in 1929, cash farm income in the United States dropped to a little more than 4 billion in 1932.

In 1933, when Agricultural Adjustment Act benefits were paid during the last 5 months, the farm income climbed back to more than five billion, and continued its climb to 8½ billion in 1937, somewhat above the 1930 total.

For 1938 cash farm income dropped to about 7½ billion dollars, 11 percent less than in 1937, but still more than 75 percent above 1932.

Following are yearly totals of cash farm income since 1924, including Government payments for the years 1933–38:

[In Millions of Dollars, i. e., 000,000 omitted]

1924-----	\$9, 785	1932-----	\$4, 328
1925-----	10, 324	1933-----	5, 117
1926-----	9, 993	1934-----	6, 348
1927-----	10, 016	1935-----	7, 090
1928-----	10, 289	1936-----	7, 944
1929-----	10, 479	1937-----	8, 574
1930-----	8, 451	1938-----	7, 632
1931-----	5, 899		

Source: Agricultural Statistics, 1938; BAE.

## MORE ACRES THAN MARKETS

From 280 to 285 million acres are required annually to feed the American people. This varies little from year to year. Almost as much land was required to supply the American table in the depth of the depression as at the height of prosperity.

About 20 to 25 million acres more are required annually for nonfood products such as cotton, tobacco, and flax.

It is estimated that 25 to 35 million acres will supply all the products which can be exported during the next few years.

### 30 MILLION ACRES

Altogether, markets can be found for the products of about 335 million acres of average land. However, the United States has 360 to 365 million acres from which crops are normally harvested. This means the American farmer has roughly 30 million surplus acres for products without markets.

### ACRES GAIN; MARKETS SHRINK

Some of these problem acres are a hold-over from the World War when the harvested acreage jumped from 320 million acres to about 360 million acres, an increase of 40 million acres. Although a growing population has increased domestic consumption since the early 1920's, other factors such as increased efficiency have offset much of this gain. The shift from horses and mules to tractors and automobiles has lost the farmer the market for feed from about 35 million acres. Another factor has been the shrinking world wheat markets.

